



A Professional Corporation of
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March 3, 2011

By Electronic Mail

For the State of Montana

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For the United States

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P.O. Box 7669
Missoula, MT 59807

Dear Ladies and Gentlemen:

As accountants to the Montana Environmental Trust Group, LLC, Trustee for the Montana Environmental Custodial Trust (the Custodial Trust), Galusha Higgins & Galusha hereby submits the attached financial statements for the following Custodial Trust Accounts to the beneficiaries of the Custodial Trust:

- (1) The Custodial Trust Administrative Account;
- (2) The East Helena Cleanup Account;
- (3) The Mike Horse/Upper Blackfoot Mining Complex Cleanup Account; and
- (4) The Black Pine Cleanup Account

The attached financial statements cover the year ending December 31, 2010 and are submitted pursuant to the Custodial Trust's obligations under ¶6.1 of the Environmental Custodial Trust Agreement (Attachment D to the Consent Decree and Settlement Agreement Regarding the Montana Sites).

Please do not hesitate to contact me or Cindy Brooks with any questions pertaining to the attached.

Sincerely,


Galusha Higgins & Galusha

Attachments

cc: David Bowers—MDEQ
Cynthia Brooks—MDEQ
Cynthia Brooks—METG
Betsy Burns—EPA-8
Devin Clary—MDEQ
Shellie Haaland—MDEQ
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Denise Kirkpatrick—MDEQ
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Joe Vranka—EPA-8
Marc Weinreich—METG

Montana Environmental Custodial Trust
Custodial Trust Administrative Account

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current assets

Cash	\$ 14,175.46
Money market	151,786.99
Due from other cost centers	444.41
Total current assets	<u>166,406.86</u>

Investments

Total assets	<u>7,934,373.42</u> <u><u>\$ 8,100,780.28</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 67,254.97
Due to other cost centers	1,058.00
Total current liabilities	<u>68,312.97</u>

Net assets

Total net assets and liabilities	<u>8,032,467.31</u> <u><u>\$ 8,100,780.28</u></u>
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Montana Environmental Custodial Trust
Custodial Trust Administrative Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
Revenues:			
Interest income	\$ 568.05	\$ -	\$ 568.05
Investment income, net of fees of \$1,632.18	6,678.79	-	6,678.79
Total revenues	7,246.84	-	7,246.84
Expenses:			
1.A Financial Affairs			
1.A.1 Galusha, Higgins & Galusha, PC	42,768.94	46,519.39	(3,750.45)
1.A.2 GETG Professional Fees	91,765.78	97,119.00	(5,353.22)
1.A Financial Affairs Total	134,534.72	143,638.39	(9,103.67)
1.B Non-Routine Costs	39,800.00	35,000.00	4,800.00
1.C Property Taxes			
1.C.1 East Helena	90,803.05	194,272.00	(103,468.95)
1.C.2 UBMC-Mike Horse	1,183.89	1,109.00	74.89
1.C.3 Black Pine	722.39	6,350.00	(5,627.61)
1.C.4 Iron Moutain	126.46	332.00	(205.54)
1.C.5 GETG Professional Fees	3,427.40	6,434.00	(3,006.60)
1.C Property Taxes Total	96,263.19	208,497.00	(112,233.81)
1.D Beneficiary Communications	11,340.03	11,625.00	(284.97)
1.E Multi-Stakeholder Communications	101.26	139.00	(37.74)
1.F Site Security			
1.F.1 East Helena	103,098.65	170,478.00	(67,379.35)
1.F.2 UBMC-Mike Horse	499.13	9,300.00	(8,800.87)
1.F.3 Black Pine	16,287.27	30,638.00	(14,350.73)
1.F.4 Iron Moutain	-	-	-
1.F Site Security Total	119,885.05	210,416.00	(90,530.95)
1.G Insurance			

Montana Environmental Custodial Trust
Custodial Trust Administrative Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
1.G.1 Commerical General Liability	52,388.75	52,389.00	(0.25)
1.G.2 Vehicle-Equipment Insurance	5,539.00	5,539.00	-
1.G.3 Property Insurance	12,308.59	12,309.00	(0.41)
1.G.4 Other Insurance	-	-	-
1.G.5 GETG Professional Fees	9,466.90	9,467.00	(0.10)
1.G Insurance Total	79,703.24	79,704.00	(0.76)
1.H Trust Legal Affairs			
1.H.1 Sucessor Firm	12,756.94	25,000.00	(12,243.06)
1.H.2 Records Segregation Costs	-	20,000.00	(20,000.00)
1.H.3 GETG Professional Fees	28,941.18	30,324.00	(1,382.82)
1.H Trust Legal Affairs Total	41,698.12	75,324.00	(33,625.88)
1.I Unpatented Mining Claim Maint.			
1.I.1 Fees for Unpatented Mining Claims	47,040.00	47,040.00	-
1.I.2 GETG Professional Fees	607.48	608.00	(0.52)
1.I Unpatented Mining Claim Maint. Total	47,647.48	47,648.00	(0.52)
1.J Trustee Direct Expenses	37,057.09	37,058.00	(0.91)
Total expenses	608,030.18	849,049.39	(241,019.21)
Change in net assets	(600,783.34)	\$ (849,049.39)	\$ 248,266.05
Net assets, beginning of year	8,688,670.75		
Unrealized losses on investments for the year	(55,420.10)		
Net assets, end of year	\$ 8,032,467.31		

Montana Environmental Custodial Trust

East Helena Clean-up Account

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current assets

Cash

\$ 4,062.96

Total current assets

4,062.96

Investments

94,979,038.92

Total assets

\$ 94,983,101.88

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable

\$ 494,792.01

Due to other cost centers

444.41

Total current liabilities

495,236.42

Net assets

94,487,865.46

Total net assets and liabilities

\$ 94,983,101.88

Montana Environmental Custodial Trust
East Helena Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
Revenues:			
2.RNT · Rental Income			
2.RNT.a · Commercial Tennants	\$ 55,418.00	\$ 58,561.00	\$ (3,143.00)
2.RNT.b · Agricultural Tennants	-	3,000.00	(3,000.00)
2.RNT.c · Slag Pile	2,535.00	40,000.00	(37,465.00)
2.RNT · Rental Income Total	57,953.00	101,561.00	(43,608.00)
Investment income, net of fees of \$68,156.11	1,456,347.05	-	1,456,347.05
Total revenues	1,514,300.05	101,561.00	1,412,739.05
Expenses:			
2.A · Water Treatment Plant			
2.A.1 · WTP O&M	159,854.69	325,592.00	(165,737.31)
2.A.2 · WTP Automation	5,349.70	2,850.00	2,499.70
2.A.3 · WTP/NPDES Regulatory Compliance	30,558.75	98,900.00	(68,341.25)
2.A.4 · Stormwater Management	-	-	-
Total 2.A · Water Treatment Plant	195,763.14	427,342.00	(231,578.86)
2.B · General Site Operations			
2.B.1 · Routine O&M	82,258.41	85,390.00	(3,131.59)
2.B.2 · Office Operations	77,461.31	78,041.00	(579.69)
2.B.3 · Safety	52,424.04	81,864.00	(29,439.96)
2.B.4 · Water Rights	1,060.90	12,250.00	(11,189.10)
2.B.5 · Non-Routine O&M	44,140.21	67,967.00	(23,826.79)
2.B.6 · Emergency Response	-	2,575.00	(2,575.00)
Total 2.B · General Site Operations	257,344.87	328,087.00	(70,742.13)
2.C · Disposal			
2.C.1 · HDS	19,947.79	8,450.00	11,497.79
2.C.2 · Contaminated Debris	29,767.46	25,990.00	3,777.46

Montana Environmental Custodial Trust

East Helena Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
2.C.3 · Other	151,514.53	152,959.00	(1,444.47)
Total 2.C · Disposal	201,229.78	187,399.00	13,830.78
2.D · Slag Pile	9,411.44	25,000.00	(15,588.56)
2.E · Tenants			
2.E.1 · Commercial Tenants	1,726.26	3,000.00	(1,273.74)
2.E.2 · Agricultural Tenants	3,468.07	4,113.00	(644.93)
2.E.3 · Residential Tenants	191,968.29	294,217.00	(102,248.71)
2.E.4 · Other	4,620.35	26,000.00	(21,379.65)
Total 2.E · Tenants	201,782.97	327,330.00	(125,547.03)
2.F · RCRA & CERCLA Compliance			
2.F.1 · Reporting	11,882.45	16,764.00	(4,881.55)
2.F.2 · Inspections	5,664.16	10,000.00	(4,335.84)
2.F.3 · Well Integrity Survey & Repairs	4,993.93	11,147.00	(6,153.07)
2.F.4 · Other	1,721.72	2,600.00	(878.28)
Total 2.F · RCRA & CERCLA Compliance	24,262.26	40,511.00	(16,248.74)
2.G · RCRA RFI On-go Characterization			
2.G.1 · Routine GW/SW	149,992.73	180,095.00	(30,102.27)
2.G.2 · Non-Routine GW/SW	62,451.81	63,712.00	(1,260.19)
2.G.3 · Seaver Park Data Collection, etc.	196,438.31	247,988.00	(51,549.69)
2.G.4 · Project Coordination, Mgmt, Admin, Comm	49,683.90	49,766.00	(82.10)
Total 2.G · RCRA RFI On-go Characterization	458,566.75	541,561.00	(82,994.25)
2.H · RCRA Phase II Characterization			
2.H.1 · Field Sampling/Investigations	351,206.37	537,452.00	(186,245.63)
2.H.2 · Data Evaluation, Studies, Model	46,596.21	68,465.00	(21,868.79)
2.H.3 · Work Plans and Reports	41,742.73	72,808.00	(31,065.27)
2.H.4 · Project Coordination, Mgmt, Admin, Comm	43,433.42	55,452.00	(12,018.58)
Total 2.H · RCRA Phase II Characterization	482,978.73	734,177.00	(251,198.27)

Montana Environmental Custodial Trust
East Helena Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
2.I · RCRA RFI Risk Assessment			
2.I.1 · HHRA	25,376.02	48,250.00	(22,873.98)
2.I.2 · BERA	371,418.49	377,984.00	(6,565.51)
2.I.3 · Project Mgmt/Support	4,057.22	26,514.00	(22,456.78)
Total 2.I · RCRA RFI Risk Assessment	400,851.73	452,748.00	(51,896.27)
2.J · Interim Corrective Measures			
2.J.1 · Source Removal	-	-	-
2.J.2 · Source Control/Stabilization	4,601.56	9,930.00	(5,328.44)
2.J.3 · Demolition	-	-	-
2.J.4 · Historic Preservation	-	-	-
2.J.5 · CAMU O&M	5,197.58	17,838.00	(12,640.42)
2.J.6 · CAMU Cell # 3 Construction	-	-	-
2.J.7 · Project Management/Communications	1,386.27	1,400.00	(13.73)
2.J.8 · Groundwater	-	-	-
2.J.9 · Stormwater, Waste Water	-	-	-
2.J.10 · Corrective Measures Study	-	-	-
Total 2.J · Interim Corrective Measures	11,185.41	29,168.00	(17,982.59)
2.K · Placeholder	-	-	-
2.L · CM's Implentation	-	-	-
2.M · CERCLA Environmental Trust ROD	805.58	1,000.00	(194.42)
2.N · Financial Affairs (2)	57,444.01	57,789.00	(344.99)
2.O · Redevelopment	348.59	35,000.00	(34,651.41)
2.P · Communications & Community Rel	4,632.71	18,000.00	(13,367.29)
2.Q · Trustee Communications	11,085.72	11,080.00	5.72
2.R · Legal Activities	105,202.56	105,200.00	2.56
2.S · Trustee Fees & Expenses			
2.S.1 · East Helena Clean-up	247,758.79	247,577.00	181.79

Montana Environmental Custodial Trust
East Helena Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
2.S.2 · East Helena Land Use & Re-Use	78,112.36	78,110.00	2.36
2.S.3 · Former ASARCO Housing	42,423.70	42,343.00	80.70
Total 2.S · Trustee Fees & Expenses Total	368,294.85	368,030.00	264.85
2.T · Trustee On-Site Project Management			
2.T.1 · LPM East Helena Clean-up	25,000.00	25,000.00	-
2.T.2 · LPM East Helena Land Use & Re-Use	24,875.00	25,000.00	(125.00)
2.T.3 · LPM Former ASARCO Housing	14,750.00	15,000.00	(250.00)
2.T.4 · RCRA PM	28,052.80	51,750.00	(23,697.20)
2.T.5 · LPM/PM Expenses	15,257.56	22,450.00	(7,192.44)
Total 2.T · Trustee On-Site Project Mgmt Total	107,935.36	139,200.00	(31,264.64)
Total expenses	2,899,126.46	3,828,622.00	(929,495.54)
Change in net assets	(1,384,826.41)	(\$3,727,061.00)	\$2,342,234.59
Net assets, beginning of year	96,334,525.00		
Unrealized losses on investments for the year	(461,833.13)		
Net assets, end of year	\$ 94,487,865.46		

Montana Environmental Custodial Trust
Mike Horse/UBMC Clean-up Account

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current assets

Cash	\$ 71,192.31
Prepaid expenses	54,808.46
Total current assets	<u>126,000.77</u>

Investments

Total assets	<u>9,036,727.39</u> <u><u>\$ 9,162,728.16</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 85,042.83
Due to other cost centers	<u>-</u>
Total current liabilities	85,042.83

Net assets

Total net assets and liabilities	<u>9,077,685.33</u> <u><u>\$ 9,162,728.16</u></u>
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Montana Environmental Custodial Trust
Mike Horse/UBMC Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
Revenues:			
Investment income, net fees of \$1,909.39	\$ 12,387.69	\$ -	\$ 12,387.69
Total revenues	12,387.69	-	12,387.69
Expenses:			
4.A Personnel (DEQ)	70,876.00	70,876.00	-
4.B Travel			
1-62401 In-State Personal Car Mileage	57.40	57.00	0.40
DEQ Direct Expenses - Travel	777.00	777.00	-
4.B Travel Total	834.40	834.00	0.40
4.C Equipment (included with supplies)			
4.D Supplies			
1-62208 Laboratory Equipment and Supplies	4,338.64		
1-62702 Construction Equipment	357.28		
1-62704 Office Equipment	49.98		
1-62229 Shop Supplies	224.23		
1-62244 Chemicals	20,838.56		
1-62705 Replacement Parts - Minor Purchases	108,104.28		
DEQ Direct Expenses - Supplies	7,583.00		
4.D Supplies Total	141,495.97	141,496.00	(0.03)
4.E Contractual			
1-62891 Handyman Charges	14,335.87	14,336.00	(0.13)
1-6210 Consulting & Professional Fees	65,945.15	65,945.00	0.15
1-62102-01 Trust/WTS Direct WTP O&M	4,809.38	4,809.00	0.38
1-62102-02 Trust METG O&M Oversight	41,158.13	41,158.00	0.13
1-62102-202 Trust METG Optimization	2,683.14	2,683.00	0.14

Montana Environmental Custodial Trust
Mike Horse/UBMC Clean-up Account

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
DEQ Direct Expenses - Contractual/Operations	27,432.00	27,432.00	-
4.E Contractual Total	156,363.67	156,363.00	0.65
4.F Construction	352,065.00	352,065.00	-
4.G Other			
1-62102-51 GHG Accounting	9,606.69	9,650.00	(43.31)
1-62106 Laboratory Testing	9,310.00	9,310.00	-
1-62108 Legal Fees	2,813.00	2,813.00	
1-62186 Waste Disposal	41,698.67	41,699.00	(0.33)
1-62371 Telephone	3,063.29	3,063.00	0.29
1-62601 Electricity	47,696.59	47,697.00	(0.41)
1-62602 Fuel Oil	1,111.27	1,111.00	0.27
1-62605 Water & Sewage	1,451.50	1,451.00	0.50
1-62606 Garbage and Trash Removal	455.21	455.00	0.21
1-62607 Propane	11,769.76	11,770.00	(0.24)
1-62823 Licenses/Permits	3,900.00	3,900.00	-
DEQ 2 Dept of Quality Control Expenses	338.54	339.00	(0.46)
4.G Other Total	133,214.52	133,258.00	(43.48)
4.I Indirect Charges	21,120.00	21,120.00	-
Total expenses	875,969.56	875,235.00	(42.46)
Change in net assets	(863,581.87)	(875,235.00)	12,430.15
Net assets, beginning of year	10,000,000.00		
Unrealized losses on investments for the year	(58,732.80)		
Net assets, end of year	\$ 9,077,685.33		

Montana Environmental Custodial Trust

Black Pine Clean-up Account

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current assets

Cash	\$ 18,422.07
Due from other cost centers	1,058.00
Prepaid expenses	<u>851,631.19</u>
Total current assets	871,111.26

Investments

Total assets	<u>16,266,420.95</u>
	<u><u>\$ 17,137,532.21</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 25,020.75
Due to other cost centers	<u>-</u>
Total current liabilities	25,020.75

Net assets

Total net assets and liabilities	<u>17,112,511.46</u>
	<u><u>\$ 17,137,532.21</u></u>

Montana Environmental Custodial Trust**Black Pine Clean-up Account**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2010

	Actual	Annual Budget	Budget to Actual
Revenues:			
Investment income, net fees of \$3,550.03	\$ 16,095.98	\$ -	\$ 16,095.98
Total revenues	16,095.98	-	16,095.98
Expenses:			
5.1 Trustee Costs from Clean-up Account			
GHG Accounting Services	6,578.22	6,600.00	(21.78)
Trustee Services/Expenses	14,326.90	15,000.00	(673.10)
2-62102 Mine Maintenance Cost	19,195.53	21,272.00	(2,076.47)
2-62165 Temporary Services	3,226.38	-	3,226.38
2-62401 Mileage	2,143.01	2,145.00	(1.99)
2-62405 Snowmobile	592.50	908.00	(315.50)
2-62823 License/Permits	2,041.71	2,041.71	-
Automatic Dial-up System	-	5,000.00	(5,000.00)
5.1.1 Utilities			
2-62371 Telephone	-	480.00	(480.00)
2-62601 Electricity	7,395.47	7,922.00	(526.53)
2-62607 Propane	40.96	50.00	(9.04)
5.1.1 Utilities Total	7,436.43	8,452.00	(1,015.57)
5.1 Trustee Costs Total	55,540.68	61,418.71	(878.03)
5.2 DEQ Costs			
5.2.1 Project Management/Admin Costs	54,349.35	164,441.16	(110,091.81)
5.2.3-1 Contractual - Site Investigation	94,019.46	842,258.00	(748,238.54)
5.2.3-2 Contractual - Site Maintenance	-	14,000.00	(14,000.00)
5.2.3-3 Contractual - Investigate and Secure Mine Openings	-	10,000.00	(10,000.00)
Contingency - 25%		263,756.04	(263,756.04)
5.2 DEQ Costs Total	148,368.81	1,294,455.20	(1,146,086.39)
Total expenses	203,909.49	1,355,873.91	(1,146,964.42)
Change in net assets	(187,813.51)	\$ (1,355,873.91)	\$ 1,163,060.40
Net assets, beginning of year	17,411,789.07		
Unrealized losses on investments for the year	(111,464.10)		
Net assets, end of year	\$ 17,112,511.46		